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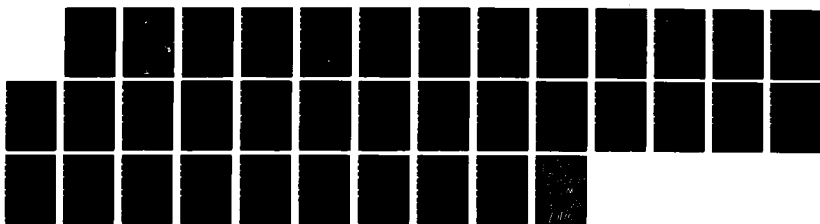
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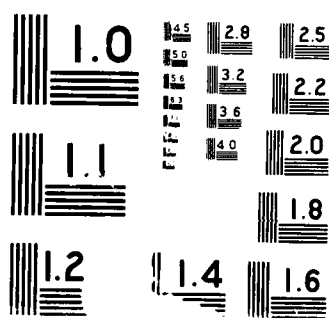
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STUDENT REPORT

MEXICO, A NEIGHBOR NOT TO BE IGNORED

MAJOR MARTIN J. McNAMARA, USAFR 88-1775

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MEXICO, A NEIGHBOR NOT TO BE IGNORED



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PREFACE

If you were a public school student in Mexico in 1934, you would not recite a pledge of allegiance to your country or sing its national anthem to start your day. Instead, you and your fellow students would sing the La Independencia with lyrics stating that all nations some day would be united under communist rule. Curriculum would include indoctrination and instruction on the tenets of Marx and Lenin. (26:--)

Communists have been active in Mexico since the Mexican revolution (1910-1921). Currently, many of the government's educational establishments still remain under the influence of Marxist-Leninist sympathizers. The union representing the Mexican primary and secondary school teachers is closely associated with the international communist trade union network. (24:527)

The number of Mexican students in US universities has declined 50 percent. (23:64) There are few Mexican military officers enrolled in our service schools. (22:64)

Mexico allows the Soviet Union and Cuba to have large embassies. The Soviet Embassy in Mexico City houses the largest group of KGB secret police outside the Soviet bloc. They are aided by Russian communication facilities in Mexico City that are considered second only to those in Havana. (5:117) The Soviet Embassy is a busy one and testimony of former communists in the US and Soviet defectors makes reference to the clandestine movements of Russian agents to the US through Mexico. (5:118)

Politically, a one-party system was established following the long, bloody revolution. The party in power is the Institutional Revolutionary Party (PRI). (21:11A) It is centralized and oligarchic. (5:108) The general populace accepts, as opposed to supports, the government. (26:--)

The people of Mexico for years have resisted the communist influence in their society because of their strong family ties, predominant Catholic faith, and the support they give to the Catholic parochial schools. These forces counter the leftist public school system. With the emphasis on providing for family, many Mexicans are totally preoccupied with procuring the essentials of life.

The focus may be changing. More Mexicans will be competing for jobs at home due to recent US immigration legislation. There are signs of increased public awareness and resentment. A restive press is identifying economic and political corruption. (5:27) The press is also documenting the beginnings of a political challenge to the one-party system. (5:28)

CONTINUED

The population of Mexico has doubled since World War II. (18:10) Young adults, in increasing numbers, will be pressuring the Mexican system for jobs. Can the Mexican economy accommodate such demands? If not, what are the consequences? The demographic crisis in Mexico is the focus of this paper. The consequences are such that Americans should not and in reality cannot afford to ignore.

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TABLE OF CONTENTS

About the Author.....	iii
Preface.....	iv
List of Illustrations.....	vii
Executive Summary.....	viii
CHAPTER ONE--INTRODUCTION.....	1
CHAPTER TWO--THE DEMOGRAPHIC CRISIS.....	3
Job Production.....	4
Urbanization.....	5
CHAPTER THREE--A FALTERING DOMESTIC ECONOMY INCREASES SOCIAL ILLS.....	6
Migration.....	6
Immigration Law Enforcement.....	7
The Struggle for Survival.....	8
Inflation.....	8
Necessities in Short Supply.....	9
Income Distribution.....	9
Education.....	10
Crime.....	10
CHAPTER FOUR--POLITICAL INTERVENTION, RIGHTS, AND FREEDOMS..	12
Government Reduces the Private Sector.....	12
Government Inefficiency.....	13
Disfranchised.....	13
Freedom of Communication.....	14
Electorate Ballot Box Expression.....	14
CHAPTER FIVE--US AND MEXICO, GEOGRAPHICAL NEIGHBORS.....	16
Refugees in a Crisis.....	16
Drugs.....	16
Security.....	17
Interdependence.....	17
Foreign Relations.....	18
CHAPTER SIX--CONCLUSION.....	19
BIBLIOGRAPHY.....	22

LIST OF ILLUSTRATIONS

TABLES

TABLE 1--Mexico's Population by Age and Sex.....	4
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EXECUTIVE SUMMARY

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REPORT NUMBER

88-1775

AUTHOR(S)

MAJOR MARTIN J. McNAMARA, USAFR

TITLE

MEXICO, A NEIGHBOR NOT TO BE IGNORED

I. Problem: Mexico is experiencing a demographic crisis today with far-reaching economic and political effects which could threaten the national security of the US in the short term.

II. Objective: Identify population and demographic trends within Mexico which point toward internal instability. Analyze if the demographic problems in Mexico pose a near- or long-term problem for the US.

III. Data: Mexico is suffering from a severe age distribution problem where half of its population is represented by people under the age of 18. There are 1.2 million jobs needed each year to accommodate the new entrants into the job market. Mexico is currently producing only half of the jobs demanded. Newly enacted US immigration legislation is closing down the escape valve which has alleviated the demand for jobs in the past. High rates of inflation are placing extreme burdens on the people. Election fraud has prohibited the people from challenging the one-party system in Mexico.

CONTINUED

IV. Conclusions: The growing job age population is overwhelming the Mexican economy. The Mexican middle class is rapidly entering the ranks of the poor. Mere survival for the Mexican people is being challenged by higher rates of inflation. The Mexican political system may not allow the people to express their wish for change. Thus, Mexico is at great risk of experiencing social and political instability in the short term.

V. Recommendations: The US should not preoccupy itself with concern only for Mexico's possible default on its national debt. Instead, the US should recognize the growing poverty of the Mexican middle class. The US should concentrate on helping Mexico control its inflation rate. The "bracero" program should be reinstituted to allow Mexicans to work seasonally in the US. Future loans to Mexico should be conditional on how they will be spent. US diplomacy should apply pressure to assure an honest 1988 Mexican presidential election.

CHAPTER 1

INTRODUCTION

Mexico is well known to most Americans for its excellent tourist locations such as Acapulco, Mazatlan, and Cancun. Beyond a tourist's interest, Americans are most aware of the massive illegal entry of immigrants. More sophisticated observers in the US government focus on Mexico's massive foreign debt. This debt has reached \$105 billion. (18:155) Although great efforts have been made to alleviate this burden with monetary restructuring, innovative debt-to-equity swaps, and IMF-sanctioned austerity programs, Mexico remains in economic crisis. Underlying the casual observance or an economist's scrutiny, lies the more crucial problem of an economic class extinction. This is brought on by a population explosion and exacerbated by corruption, oligarchic government control, and unsound socialistic practices. (12:87) Mexico's rapidly growing work-age population coupled with rising unemployment, runaway inflation, and major cost increases of consumer goods, could inevitably spell political and social disaster in the short term. (17:10A) This paper will propose that a demographic crisis exists in Mexico today, which could threaten security interests of the US as early as 1990.

Much has been written about Mexico as of late. These writings range from criticism to reflections on continued stability and vary from a pessimistic outlook to conservative optimism. In cold pragmatic terms, an intelligence analysis conducted by the CIA in 1986 warned President Reagan there would be a 1-in-5 chance the Mexican government would collapse within the next 5 years. (6:C19) To be sure, Mexico bashing has been fairly predominant in the press as a result of alleged political corruption, law enforcement ties with drug criminals, and the lack of responsive government action during an earthquake crisis. Academicians are mixed in their outlook. Some focus on the alleged oligarchic nature of government and the growing economic crisis it has fostered. (5:7) Foreign policymakers emphasize the unsettling geopolitical situation in Central America which could spill over into Mexico.

Many writers have noted the strength, patience, and resiliency the Mexican people have demonstrated throughout their history. These characteristics, according to the writers, will prevail over instability until economic order can be restored.

A 1984 CIA intelligence analysis which compares the Mexico situation to "generic, economic, social, political, and external indicators" lends support to the optimists. Although it accepts the harsh economic realities, it points out that the government provides essential services and food at reasonable prices. (11:21) The report maintains the government is accepted as legitimate and, as such, successfully suppresses the rise of opposition leadership. It contends the military is not a destabilizing factor. Ironically, it maintains the destabilizing events in Central America have sobered the populace and contributed toward its willingness to support the present government. (11:21)

My analysis will show that the immense pressures of a rapidly growing job-age population, coupled with "galloping" inflation, point to a disaster that will manifest itself in political and social instability in the short term. The populace has proven resilient to harsh living conditions in the past. However, I feel that they are showing less tolerance for their one-party system and could become more than vocal if their minimum needs are not met.

Apart from the logical scenario that envelops from a demographic analysis, one psycho-social event is worth mentioning. Namely, two massive earthquakes struck Mexico in 1985 burying and killing at least 20,000 and injuring 130,000 in the debris of high-rise buildings. (5:71) Many of these buildings the government had erected without conforming to codes. (5:74) These events rival the tragedy and socio-political implications of Chernobyl. Beyond the deaths and injuries which totalled nearly 150,000, an additional 200,000 people were left homeless. Damage to structures is estimated at \$4 billion. (1:159) Psychologically, the knowledge that strict building codes, established after the severe 1957 earthquake, were not followed is significant. Many believe the government took kickbacks to overlook the violations. (1:16) The government was also ill-prepared and slow to allow outside help to bring in necessary heavy equipment. (5:9) Many people who might have been saved were lost as a consequence. The emotional impact of this tragedy on Mexico City's population of 18 million could manifest itself as a rallying point in the future, particularly if the government can no longer provide for its people.

CHAPTER 2

THE DEMOGRAPHIC CRISIS

Incredible as it may seem, the population of Mexico in 1915 totalled less than the 18 million who reside in Mexico City today. (14:25) There were only 15 million people in Mexico during the revolution and 1.5 million of those died in the conflict. (24:526) Current estimates say the population has reached 85 million. (3:8) In the last 10 years alone, the population has increased by 22 million. (18:12)

The factors involved in these enormous changes are primarily due to declining mortality rates. These rates dropped from 47.2 per 1000 in 1915 to less than 6 per 1000 in 1985. (4:6) Mexico's birth rates have remained high throughout the century. Similar to the United States, Mexico's birth rate peaked following World War II. In 1970 the crude death rate declined to 10.8 per 1000. Birth rate held at 45 per 1000. The net survival rate of 34 per 1000 matched Mexico's highest since the turn of the century. It accounts for half of the current population being under the age of 18. Half of Mexico's population of 85 million was not even alive in 1970. (4:10) Median age in Mexico of 18 contrasts sharply with the US median age of 32 years.

The crux of the problem, though, lies in the increase of the working population. This population is defined in this scenario as those in the age bracket of 15 to 64 years. Expansion of this age group reflects the high growth rates that occurred between 1960 and 1973 when mortality rates declined sharply. As a result, the growth rates of the 15 to 64 bracket are peaking today and are projected to decline only gradually after the year 2000. (4:9) This means that Mexico's labor force is projected to increase 5.2 million between 1985 and 1990, and a 5.3 million increase every 5 years thereafter through the year 2000.

These 5-year, job-age population figures may, in fact, be underestimated. To gain a better perspective, it is useful to examine Mexico's true population pyramid (see Table 1). (14:25) Based on the 1980 census, the population age bracket ages 5-9 are affecting the Mexican society today. Note that this bracket represents the largest (10.27 million) of the entire age distribution pyramid. Assuming an equal distribution of population over the 5-year period, one would expect 1,039,237 15-year-old males ($5,196,186 \div 5$) to be

Age	Total	Men	Women	Men	Women	Age
65+	2,818,388	1,325,391	1,492,997			65+
60-64	1,123,177	541,369	581,808			60-64
55-59	1,486,098	736,729	749,369			55-59
50-54	1,911,137	935,829	975,308			50-54
45-49	2,363,737	1,157,171	1,206,566			45-49
40-44	2,825,258	1,404,058	1,421,200			40-44
35-39	3,389,129	1,632,663	1,756,466			35-39
30-34	3,835,775	1,866,704	1,969,071			30-34
25-29	4,698,824	2,274,698	2,424,126			25-29
20-24	6,183,602	3,005,768	3,177,834			20-24
15-19	7,689,190	3,765,639	3,923,551			15-19
10-14	9,298,627	4,689,988	4,608,639			10-14
5-9	10,275,025	5,196,186	5,078,839			5-9
0-4	9,283,243	4,658,995	4,624,248			0-4
Total*	67,382,581	33,295,260	34,087,321			

*Does not sum to total because age was unspecified by more than 200,000 people

Table 1. Mexico's Population by Age and Sex
(Source: "Demographics of Mexico," American Demographics, Vol. 4, February 1982, p. 25)

entering the job market beginning in 1986. Add to this the prospect of more women entering the market force. As of 1977, women represented 23 percent of the labor force, up from 19 percent in 1970. (14:24) Going on the assumption that 25 percent of the 15-year-old girls would be looking for jobs in 1986 adds an additional 254,000 to the total potential job seekers, or 1,293,178 per year, or 6,465,890 per 5-year period. In short, Mexico will experience demands for jobs in the late 1980s and early 1990s greater than ever before.

Job Production

Paradoxically, Mexico is challenged to produce the largest number of jobs in its history at a time when its economic growth is in decline. During the period of 1970-1981, 7 million jobs were created, or 636,363 per year when the yearly economic growth averaged 6 percent. (10:120) Since the drop in oil prices in 1982, Mexico's growth has declined sharply with an estimated 3.5 percentage decline in 1986 alone. (8:120) Assuming that a decline in growth would bring about the loss of existing jobs as well as curtailing the expansion of new jobs, Mexico faces an awesome task. It must double the creation of new jobs to 6 million during the next 5 years to accommodate the entry of 1.2 million new job-seekers every year. Should the rural migration to cities continue to rise, or immigration to the U.S. become more restrictive, the demand for employment would only increase.

Urbanization

The search for jobs has led to an urbanization in Mexico that has occurred more rapidly than anywhere in the world. Fifty years ago, 66 percent of the people lived in the country with the other third in urban places greater than 2500 inhabitants. Today, these percentages have been reversed. (14:25) A graphic example is Mexico City. With a population of 5 million in 1960, it has grown to 18 million today, ranking it the third largest city in the world behind New York and Tokyo. (18:12) Most of the urban population in Mexico is concentrated in a few large cities. In fact, more than half of Mexico's population resides in cities greater than 500,000 inhabitants. This concentration of Mexico's population in a few large cities puts great pressure on the economy for jobs and housing. (14:25) Mexico City has not been able to accommodate the influx. Thus, 6 million live in "shanty towns" and 15 percent are presently unemployed. (18:10)

As a result, there is a great deal of poverty in the urban areas. Estimates are that 30 million or 40 percent of the population barely get enough food to survive. The Mexican government does keep the cost of tortillas cheap by subsidizing the industry. (18:15) In fact, tortillas cost only half as much as those sold in the rural areas. (26:--) Besides the hope for possible jobs, lower food prices lure many people to the cities. Most people, however, are unable to find housing. (5:151) Consequently, the cost of rentals has skyrocketed. Even before the earthquake, there were tens of thousands without any kind of housing. (5:58)

CHAPTER 3

A FALTERING DOMESTIC ECONOMY INCREASES SOCIAL ILLS

Faced with unemployment and lack of affordable housing, one can understand why so many seek their fortunes in the US. In 1981, a boom year for Mexico, an estimated 731,000 new jobs were created. That same year, US Immigration and Nationalization Service (INS) deported 866,800 Mexican illegals from the US. (5:153) A rough comparison would indicate the demand for jobs is not being met even when economic growth is good. Immigration officials acknowledge their deportation statistics do not identify illegals who have been deported more than once and thus their figures are somewhat misrepresentative. The INS is also quick to observe one out of two illegals escape detection. A study by the Labor Department in 1979 substantiates this estimate when it sampled 1,970 illegal immigrants in Los Angeles and found 69.6 percent of them had never been previously apprehended. (20:13) Clearly the number of Mexicans that come to this country in search of work indicates a severe lack of employment opportunity in their country.

Migration

The US has long been a safety valve for the jobless in Mexico. Since 1982 the number of illegal aliens has risen substantially. In 1986, 1.6 million illegals were apprehended; an increase of 300,000 more than 1985. (20:13) One would expect a similar increase of apprehensions in 1987 considering that economic conditions are worsening. However, Congress passed the Immigration Reform and Control Act on October 17, 1986. The bill is primarily aimed at employers who hire undocumented workers. It also created an amnesty program to grant legal status to aliens in the US since January 1, 1982. (25:30) As of 1987, only 213,000 aliens of an expected 3.9 million have applied for amnesty. (13:69) The law is having its effects. The number of illegal immigrants caught in the first half of 1987 has plunged in excess of 40 percent. INS officials feel that some of the decline stems from illegals who are reluctant to return home out of fear they would be ineligible for amnesty if caught returning. The assistant chief agent in San Diego thinks the major reason is that Mexicans believe US employers won't hire illegals. (13:68)

Immigration Law Enforcement

Enforcement of the immigration act began officially June 1, 1987. Essentially, employers will have to provide documented proof of their employees' identification and eligibility to work if asked. Some repercussions are already being felt. Fearing penalty, employers have reportedly fired hundreds of Hispanics from hotel, restaurant, and construction jobs. (26:30) Employer fears could be justified since the INS plans to target its enforcement on businesses that have a history of hiring illegals. The agency will hire 932 new investigators by the end of fiscal year 1988 to do just that. (26:34) Their added success in preventing Mexicans from entering or returning illegals will only add to Mexico's unemployment rate already in excess of 20 percent. (16:K2)

Amnesty for the employers is apparently over. In Southern California, many illegals congregate on corners and various sections in the city awaiting those who will hire them for the day. Some employers dispatch trucks for pickups of large groups of workers, while others pick up one or two workers at a time. Recently, workers in businesses adjacent to these pickup areas have noted "official looking people" taking the license numbers of the vehicles used in such transports. This subtle form of enforcement is having its effect. Witnesses report traffic has dissipated and the number of loitering illegals has dropped significantly. (28:--)

Thus, Mexicans who do not qualify for amnesty will find it increasingly difficult, if not impossible, to acquire work in this country. Faced with a shutoff of potential jobs in the US, Mexicans entering the job market will be forced onto their own economy. The small town of Huandacareo, population 15,000, in central Mexico is already feeling the pressure of former inhabitants returning from the US. Of the estimated 3,000 inhabitants who were working in the US, most illegally, 300 had returned as of 15 April 1987. (23:52) Most were unable to find work or wouldn't accept work that paid in a day what they made in an hour in the US. The president of the local municipal council pointed out that these workers had sent most of their pay home. This not only stimulated the local economy, but also took pressure off the local employers. His great fear was that most of the 3,000 would return. He commented that the future of his town depended on the failure of the US Immigration Law. (23:52) It is fair to say most who fail to qualify for amnesty will eventually return home. Added pressure for jobs on Mexico's fragile economy could be catastrophic.

The Struggle for Survival

In 1986, 30 million Mexicans barely got enough food to survive. (18:18) In the past year, this situation has worsened due to inflation. This author conducted an interview with a 60-year-old Mexican father of five, Juan Echevarria, who came to the US in June 1986 as a documented worker. Born in the US and emigrated to Mexico at an early age, he told of rents that more than doubled (\$40 to \$100), gasoline that doubled and hikes in food and basic services in the 12 months since he had left. (27:--) A member of the middle class, X-ray technician, Juan got into trouble when he borrowed money for a second car. Interest rates were high, but because his wife was a bank employee, he received preferential rates. When his wife lost her job because she refused sexual advances from her immediate supervisor, Juan's loan was "restructured" with interest set at 80 percent. This is the standard rate for those people without "connections." (27:--) Supporting two children in Catholic parochial schools and three in the university, Juan was faced with financial disaster. Courageously, he came to the US and with the help of relatives established a modest lawn maintenance service that nets him enough to support himself and send the equivalent of \$600 a month home to support his family's basic needs, keep his children in school, and gradually pay off his debts.

It's believed that half of the nation's workers live on minimum wage. (17:10A) Juan related an average Mexican worker makes 8,000 pesos a day. Having recently returned from Mexico after visiting over the Christmas holidays, he pointed out that 4,000 pesos a day would buy milk, tortillas, beans, and eggs to feed a family. The 4,000 left, or \$1.75, would have to suffice for housing, clothing, medical, and the like. (27:--) Thus, it would seem, even those employed are finding it hard to eke out the simplest of existence.

Inflation

Juan maintains that the lower class in Mexico subsists on tortillas and beans, and that numbers of the middle class have joined the ranks eating this same diet. The only difference is that the lower class is limited to one meal a day instead of two. In his description, the situation resembled wartimes in that people did not have money to spend on food, clothes, or entertainment. (27:--) Undoubtedly, this situation is a reflection of the runaway inflation. When Juan came to the US in June of 1986, the exchange rate stood at 800 to 1. He watched it rise to over 1750 to 1 in November 1987 before he returned home temporarily. (15:34) The exchange rate is now 2250 to 1.

On December 18, the Mexican government announced that it would devalue the currency to 2000 pesos to the dollar, an austerity move required to combat its massive foreign debt. (17:10A) Incredible as it seems, the exchange rate in 1982 was 26 pesos to the dollar. Since then, the annual inflation has ranged from 50 to 100 percent until the alarming rate of 140 percent was reached in late 1987. (7:11A) As a result, greater strains have been put on the people to survive.

Necessities in Short Supply

The plight of Mexico, in the short term, lies primarily in its people being able to acquire the simple necessities of food, water, and housing. Most analysts in the US accord the Mexican government a decade of grace to restructure, but how can a people already plagued with 50 percent of its working force unemployed or underemployed, plus faced with a cost of fuel and food that nearly doubled during 1987, survive? (1:140) Furthermore, how can Mexico City continue to supply water to its populace when 15,000 people a month move to the sprawling urban areas? (5:145) In 1986, a Roman Catholic Bishop estimated that 250,000 in Mexico City had neither water, electricity, nor waste disposal. (5:145) Sooner or later the government will have to restrict settlement when resources can no longer support the demand. With such a rapid urbanization rate, exhaustion of resources could occur in the short term. This may also be accompanied by forced relocation from or barring of entry to the city itself.

Income Distribution

Most people do not have the option Juan exercised, and thus must change their standard of living. Statistics show the poorest 20 percent of the Mexican population received 2.9 percent of the total income. The highest 20 percent of the population received 57.7 percent of the income. The remaining 40 percent of total income is spread over the broad-based 50 million people. These people represent a 3-tiered income middle class grouping--with percentages of income ranging from bottom to top of 7 percent, 12 percent, 20.4 percent respectively. (8:128) Considering these figures represent 1977 data, one can only assume the middle class is rapidly entering the ranks of the impoverished lower class and may become extinct.

Education

When a class structure forfeits its place in the economic hierarchy, certain concessions have to be made. One of these is the education of its children. Only 53 percent of the children completing primary school continue on to secondary school. (8:128) Once out of high school, the 47 percent who attended secondary school dwindles to a mere two-tenths of 1 percent of Mexico's students who continue on to higher education. (18:5) There are many reasons for this. Mass urbanization makes it impossible for cities to provide enough school facilities. Some children are forced to work at an early age. Some parents who previously sent their children to Catholic parochial schools and who now cannot afford to do so are reluctant to let their children attend. (27:--) They fear their children will be subjected to a communist-indoctrinated curriculum. Others simply cannot afford the cost of books and uniforms. Whatever the reason, the failure of Mexican children to attend school can be traced to distribution of income. A loss of purchasing power by the middle class will only exacerbate this problem. Certainly an uneducated mass of people entering the job markets in the next 5 years will pose an enormous problem for the Mexican government and society as a whole. As we have seen in this country, illiteracy equates to unemployability, which degenerates to welfare dependency. Mexico can ill afford either case.

Crime

Many Mexicans are very dependent on their government just to eat. If the government were to discontinue food subsidies to expedite debt servicing, prices could very well escalate beyond the reach of the general population. The importance of the government's very liberal subsidy of the tortilla production cannot be overemphasized. Were it not for the availability of very low priced tortillas in the cities, starvation or crime would be the alternative. (27:--)

We've seen the trends in the US where unemployment is followed by an increase of crime. Seven years ago, when the steel industry collapsed, thousands lost their jobs in Gary, Indiana. High unemployment levels there were accompanied by statistics showing the highest per capita murder rate in the US twice in the last 5 years. Unemployment in Gary decreased from 13 percent in January this year to 8.5 percent with a resultant decrease in crime. (19:61) Unemployment in Mexico City in 1985 stood at 15 percent. (18:12) During the same year, crime increased 35 percent. (18:7) High levels of unemployment would only increase the likelihood of the trend continuing. Mexico City is growing at a rate of 30 percent annually and is expected to top the 20 million mark in 1990.

(5:150) Radical growth such as this can only equate to higher unemployment. Add to the situation a severe lack of food or a government that forcibly removes or relocates people from the slums and the seeds of instability are sown.

CHAPTER 4

POLITICAL INTERVENTION, RIGHTS, AND FREEDOMS

Will social instability and economic chaos also cause political destabilization in the near future? Even though the hierarchy has leftist tendencies, the vast majority of the constituency is resistant to this philosophy. They accept their fate in a "long suffering" attitude. Most are aware that their economic plight, poverty, lack of shelter, and loss of purchasing power can be attributed somewhat to the policies of their government (27:--). Nevertheless, they are reluctant, thus far, to consider a violent overthrow of the government as an alternative. Many have heard from parents and grandparents about the horrors of the revolution and reject the thought of another. (27:--). For now, they have accepted the oligarchy as a way of life and have lived in conformity so long as their basic needs have been met. (3:10) It was only in 1927 after the government passed anti-church laws banning clerical dress in public and eventually murdering many priests that the people responded by taking up arms. (27:--). The people simply reacted to the pleas of the religious for protection by forming the peoples' army. The Cristero rebellion ended only when the government rescinded its persecution and allowed the church to regain its former status. (12:90) On this occasion the people simply had had too much.

Government Reduces the Private Sector

There has been a distinct gap between the people and governing class ever since the revolution. The ruling class was more represented by the descendents of the ethnic Spaniard and the ideological left. They clashed with the indigeneous Mexican Indian and his predominant Catholic faith. The anti-clerical Calle administration (1924-1928) served to intensify this rift. The private business sector was able to participate in the political process by virtue of their financial strength. Since then, the government elite has successfully purged the military from any connection with political power while continuing its acquisition in the private sector. State-owned businesses increased from 86 to 740 during the late 1970s. The government snatched the airlines in 1981; but more significantly virtually overnight nationalized the commercial banks. They, in turn, owned more than 100 private companies. The state now controls between 60 and 80 percent of Mexico's gross domestic product. (1:32) On

a more mundane level, the expropriation of the 4,378 private banks saw the owner literally thrown out into the street. (5:47) This significantly contributed to the public's sense of alienation and distrust toward its government. (27:--)

Government Inefficiency

These developments serve to point out the growing government bureaucracy, its control over the economy, and the widening gap between the common man and the expanding political clique amplified by the growing disparity of income and middle class extinction. On the heels of his banking nationalization, Lopez Portillo (1976-82) allowed the unionization of more than 160,000 bank employees. (1:32) They joined the ranks of other unions associated with major government enterprises, such as the petroleum monopoly (PMEX) and Federal Electric Commission. Both wield considerable political power and have been accused of selling jobs and other corrupt practices. (1:42) Along with government appointments of banking officials and the establishment of political criteria for selecting personnel, some long-time key personnel feared for their jobs. (27:--) Inevitably, such a program degenerates into a system of inefficiency and political spoils. (1:41)

In order to manage this growing responsibility, the government's bureaucracy grew from 600,000 government employees in 1977 to 1.5 million in 1982. (5:45) The government today employs more than 4,000,000 people. (22:62) Although the Mexican Constitution theoretically balances power between its federal, state, and local governments, the executive branch maintains the majority of power. (1:57) This fact is illustrated by noting who expends the public funds. The federal government collects and spends 80 percent of all tax revenues. It also has the authority to dole out patronage contracts and favors to its supporters. (1:58) Although the current President of Mexico has taken some steps to regain control of the massive bureaucracy, he has focused primarily on austerity programs, cuts in welfare spending, and subsidies for food and fuel. (1:58) With his term almost at an end, de la Madrid is still faced with economic crisis, a growing national debt, and a blundering behemoth of a government bureaucracy syphoning off needed funds to service the foreign debt.

Disfranchised

Madrid was further faced with a populace disillusioned from repeated loss of purchasing power, unemployment, and disenchantment reflected at the polls in 1983 and 1985. The

ruling party, Institutional Revolutionary Party (PRI), lost two mayoralities in the northern states in 1983 to the opposition party, National Action Party (PAN). In order to stem this tide, the PRI spent heavily in 1985 and allegedly committed fraud, stuffing ballot boxes plus stealing them outright, disqualifying opposition poll watchers, and actually turning away voters at polls where the opposition was expected to do well. (5:30) The subsequent PRI victory was marked with demonstrations of some 20,000 people in the city of Chihuahua and a major protest which closed the international bridge connecting Ciudad, Juarez, and El Paso. (1:159)

Freedom of Communication

The newspaper monopoly controlled by the government in Mexico normally guarantees a curtailment of political criticism and a suppression of religious coverage. As an example, in 1983 President de la Madrid hosted a group of Catholic Bishops at the presidential palace for dinner and discussion of Mexico's problems. (5:26) Considering the severe persecutions of the church committed by the government in 1928 and troubled relations thereafter, the meeting would appear to be significant. Yet, not a word was seen in the press concerning the affair. Published reports of 1983 election fraud in Puebla, Mexico's fourth largest city, resulted in an editor being fired. (5:27) A similar case in Mazatlan was totally ignored and a communications blackout between Mazatlan and Mexico City immediately before and after the election seemed staged to ensure the "blackout" was complete. (5:27) A Mexican magazine article the author read described suspicious activities occurring on the docks of Manzanillo that were alleged to involve the shipment of Soviet arms to Nicaragua. The author reviewed a subsequent monthly edition of the same magazine and found a new editor and staff identified on the inside cover, a fact certainly not missed by readers in Mexico.

Electorate Ballot Box Expression

The United States should watch the July 1988 Mexican presidential election with great interest. The outcome and subsequent actions of the newly elected president will weigh heavily on Mexico's social and political stability. The past six PRI presidents have simply picked a candidate and allowed the political machinery to assure his election. The current President, de la Madrid, deviated slightly from this tradition by allowing himself and the upper echelons of his party to initially name three candidates. After secret selection process the president later announced the one PRI candidate. (21:11A) Considering the interest generated over the

mayoralities and gubernatorial elections of 1985, the 1988 presidential election that includes the son of a former very popular president, Lazaro Cardenas (1934-1940), and an experienced, well respected PAN candidate, Senor Clouthier, could prove to be important. The elder Cardenas won popularity for revoking anti-clerical laws and redistributing more land to the peasants. (18:6) The son, however, is viewed as an inexperienced candidate, lacking in credentials with a leftist ideology. (27:--) The Mexicans speculate the PRI may work a behind-the-scene deal with Cardenas to have him elected as their "puppet" and thereby pretend democracy is really practiced. (27:--) Clouthier, the PAN candidate, is an engineer and former chief of the association representing Mexico's private business sector. (27:--) His platform calls for reduction of state-owned businesses and their return to private enterprise. He is popular with the middle class because of his platform and with many others because he represents the opposition and radical change from the incumbent government. (27:--)

Voter apathy in the large cities has been increasing since the 1960s, but this election may be different. (12:88) Juan reported to the author that his wife and two oldest sons would be voting this year for the first time in their lives. In his words, "the people want change" and "we can only bring this about by voting." (27:--) He reports that many of his neighbors in his home city feel the same. Should the ruling PRI resort to election fraud to guarantee their victory against such a renewed opposition interest, reaction might be stronger than in the past. (27:--)

CHAPTER 5

US AND MEXICO, GEOGRAPHICAL NEIGHBORS

Mexico is permanently linked to the US because of history and geography and the present day relationships that have evolved through trade, travel, and immigration. Mexicans are acutely aware of historical events since every child is taught about the Mexican-American War and the heroic last stand of the cadets at Chapultepec against the troops of General Winfield Scott. (22:58) The humiliations of defeat and loss of half of Mexico's territory, now the American Southwest, remain a literal landmark of awareness. They are further reminded of General Pershing's 11-month expedition into Mexico to punish Poncho Villa and other revolutionary factions for excursions across the border in 1916. (22:58) This anti "gringo" sentiment born out of this history is still a factor today in dealing with Mexico formally and face to face.

Refugees in a Crisis

During the so-called Mexican 12-year revolution, 10 percent of Mexico's total population, or 1.5 million people, were killed. A similar number fled to the US. (24:527) If a similar percentage were to force themselves on the US border, the numbers would range between 8 and 10 million. (12:90) Mexican workers recently interviewed by Time in May 1987 indicated they would try and return to the US even though they would not qualify for amnesty. A quote from one illegal who plans to sneak back sums it up, "Better to be arrested there than to starve here." (23:52) In the wake of the Immigration legislation, it seems our INS officials will be tested to even a greater extent. Moreover, if portions of the general populace opt to flee, Immigrations would have to be augmented presumably by the Army or National Guard. Perhaps fortuitously, the Los Angeles Board of Supervisors voted in January 1986 to request troops to augment the security of the southern California border against illegals and drugs. (12:90)

Drugs

The subject of drug smuggling has been at the forefront of US-Mexican relations after the murder in Mexico of a US drug enforcement officer. Mexico is now our leading source of heroin and marijuana. (9:10) As with the Bolivian cocaine

experience, one cannot rule out more Mexican citizens becoming involved in drug trafficking if survival weighed in the balance. Mexico has also become a major transshipment center for Columbian cocaine amounting to 30 percent of today's US supply. (25:29) Common Mexicans dubbed "mules" are paid \$200 to ferry a load across the border. (25:30)

Security

Although just a rumor, thought to be linked to the Mexican foreign ministry, there was supposed discussion to allow new facilities for Russians in northern border towns. This would be a counter or bargaining chip against US hard line positions concerning drug trafficking. (24:527) Thus, in the short term, the US may need to use the military to secure the 2,000 mile border from drug entry, illegal alien penetration, and to counter the added intrusion of Russian intelligence gathering at much closer range.

Interdependence

Most people are acutely aware of growing US economic interdependence with other countries in the world. The US economic relationship with Mexico could be labeled crucial simply because Mexico is a primary source of imported oil. Additionally, it ranks third as a trading partner behind Canada and Japan. (9:70) Although the US paid above-market prices to Mexico for oil during the Arab oil embargo, strategic oil reserves were replenished and economic activity functioned normally despite the prolonged embargo. The US has committed considerable military effort toward ensuring a free flow of oil from the Persian Gulf and "freedom of navigation" on the high seas. Whether or not these pursuits are vital US interests is open to debate. No one, however, would question that Mexico is vital to US national security. They have the oil we need. Freedom of navigation within the Gulf of Mexico and the sea lines of communication (SLOC) of the Caribbean are essential to our shipping and security. Our 2,000 mile border with Mexico is not well secured. Seven major banks in this country have underwritten 35 billion dollars in Mexico's foreign debt. The fact that the US extended payment of 7.7 billion dollars in December 1987 certainly indicates possible default. Less traumatic but economically important are the labor shortages showing up on our farms, in the garment industry, and food services. (13:69) Some southwestern states in the US may find their economies more dependent on illegals than previously realized.

Foreign Relations

The United States is a major world power that borders a third world country. The perceptions of Mexico and the United States concerning world problems and solutions are quite divergent. Witness the voting records of these two countries in the United Nations. Military security provisions are also very different. Mexico spends very little in its own defense, funding an Army of only 200,000 and an Air Force consisting of one squadron of eleven F-5Es. (22:62) Recent developments in Central America have heightened Mexico's security perceptions and moves have been made to strengthen the Army. Nevertheless, the security of Mexico's oil fields and its southern border remain vulnerable. (9:60) The liability of filling the Mexican security void and/or dealing with the onslaught of 10 million fleeing refugees is not a task worth relishing for the US.

CHAPTER 6

CONCLUSION

Mexico is experiencing a population, economic, and possible political crisis most do not recognize as serious in the short term. Analysts put great faith in the ability of the Mexican people to withstand long term hardships. This may be true for the poor, but if a middle class finds itself slipping into poverty, the virtues of patience and perseverance may dissipate into anger. People who are idle due to unemployment have more time to dwell on their disaffection and are targets for manipulation by political activists.

Estimates of jobs Mexico must produce each year range from 800,000 to 1.2 million. The author feels these figures are underestimated. Considering only the 18-year-old Mexican males and 25 percent of the females as eligible job seekers, the figure stands at 1.3 million per year. (14:25) Add to that some percentage of the illegals forced to return from the US, those overqualified because of education, increasing percentages of women seeking employment, and the problem becomes more complicated. It is inconceivable to accept Mexico remaining stable should their unemployment rate continue to rise unchecked.

The fortunate people who have jobs are not "out of the woods" either. Inflation has cut deeply into the purchasing power of the Mexican citizen. In the period of time it took to write this paper, Mexican currency has devalued from 1550 to 2250 to the dollar and has lost 45 percent of its value in just 4 months. (15:34) There is no indication this spiral will stop. In fact, people are purchasing dollars on the "black market" for 3,000 upwards to 3,500 pesos in that the banks will not make the exchange in currency. (27:--) This lack of confidence is pervasive. It accounts for mass capital flight, exorbitant short-term interest rates, and stifles necessary building and housing development. More importantly, inflation is the biggest enemy of the people. Currently, it is robbing them of their livelihood and is causing great dissatisfaction. Left unchecked, the ills of inflation will unite the middle and lower class in opposition.

The stability of the middle class is a key factor. These people are the ones most cognizant of corruption and have the most to lose financially. A retired Army General, who is a

neighbor of Juan, related to him his anger after his life savings, invested in a savings account, became literally worthless. (27:--) The middle class is usually politically astute and participates in the political process. A standing joke in Mexico today is that everybody will vote for the opposition party (PAN). The vote count, however, will magically show an overwhelming ballot for the PRI candidate. People denied the right to effect change within the system may seek solutions outside the system.

The fact that the last three presidents have devalued the Mexican peso shortly before their term ended does not elude the middle class. They know the government elite hold their capital in dollars and benefit handsomely with prior knowledge of devaluation. (27:--) A middle class which strongly supports a creditable PAN presidential candidate, knowing he will be defeated, because of fraud, which sees their standard of living declining to the status of poor, inwardly wants change and outwardly may seek it outside the system. The poor may expect nothing more than beans and tortillas. A middle class thrust into such circumstances will revolt. Enter a charismatic leader and the elements may be in place for action to effect change.

Mexico has done well in the past simply because they are blessed with abundant natural resources. The export of oil made them a leader. Prosperity seemed to be just around the corner. Such has not been the case. People are now asking themselves, "Why?" "Where have the resources gone?" In the not too distant future these same people may well forcibly ask the government these same questions.

The US pressure release valve that has absorbed 3.5 million Mexicans in illegal employment is being shut down. (20:13) Three successive Mexican Presidents have failed to utilize their resources to foster economic and political stability. The domestic situation has deteriorated to a point where many of the middle class are eating one meal a day. (27:--) The mood of the people is verbally expressed as believing a change is necessary. (27:--) If election fraud in 1988 effectively disfranchises them from effecting change, serious instability or susceptibility to communist influence is not unlikely.

The people of Mexico feel the US would not allow a communist takeover in their country. (27:--) Even current US public opinion with its ardent isolationist attitudes and predominant concern for self might coalesce to recognize that our neighbor to the south is a vital national interest.

But, why wait until the problem requires US military intervention? Mexico is purported to be a democracy. Free

and honest elections are essential to the democratic process. A bold move by the U.N., initiated by the US, to monitor the 1988 Mexican elections, either by U.N. sanctions or multinational force is essential. This is not going to happen. However, Mexico's massive indebtedness, susceptibility to default, drug trafficking, illegals problem, limitations of the democratic process, runaway inflation, horrendous unemployment, and security vulnerability justify strong action on the part of the US. Such actions are not without precedent. The situation in Haiti is none too graphic a reminder of what happens when the statement "it's not my country" prevails.

There are numbers of alternatives. Reinstitute worker exchange programs. Work to reduce trade barriers. Offer humanitarian aid through the Corps of Engineers. Pressure for the return of industry to the private sector. Concentrate on bold steps to end Mexico's inflation with total reissuance of currency. Designate loans for specific projects and demand accountability.

The national security of the US is threatened should our national objectives toward Mexico fail. It would appear economic and social developments are floundering and will inevitably worsen due to demographic pressure. We've ignored the abuses toward democratic, self determination in the past. The US must vigorously work toward making democracy a reality in Mexico today. History will be the judge of our acts or omissions.

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